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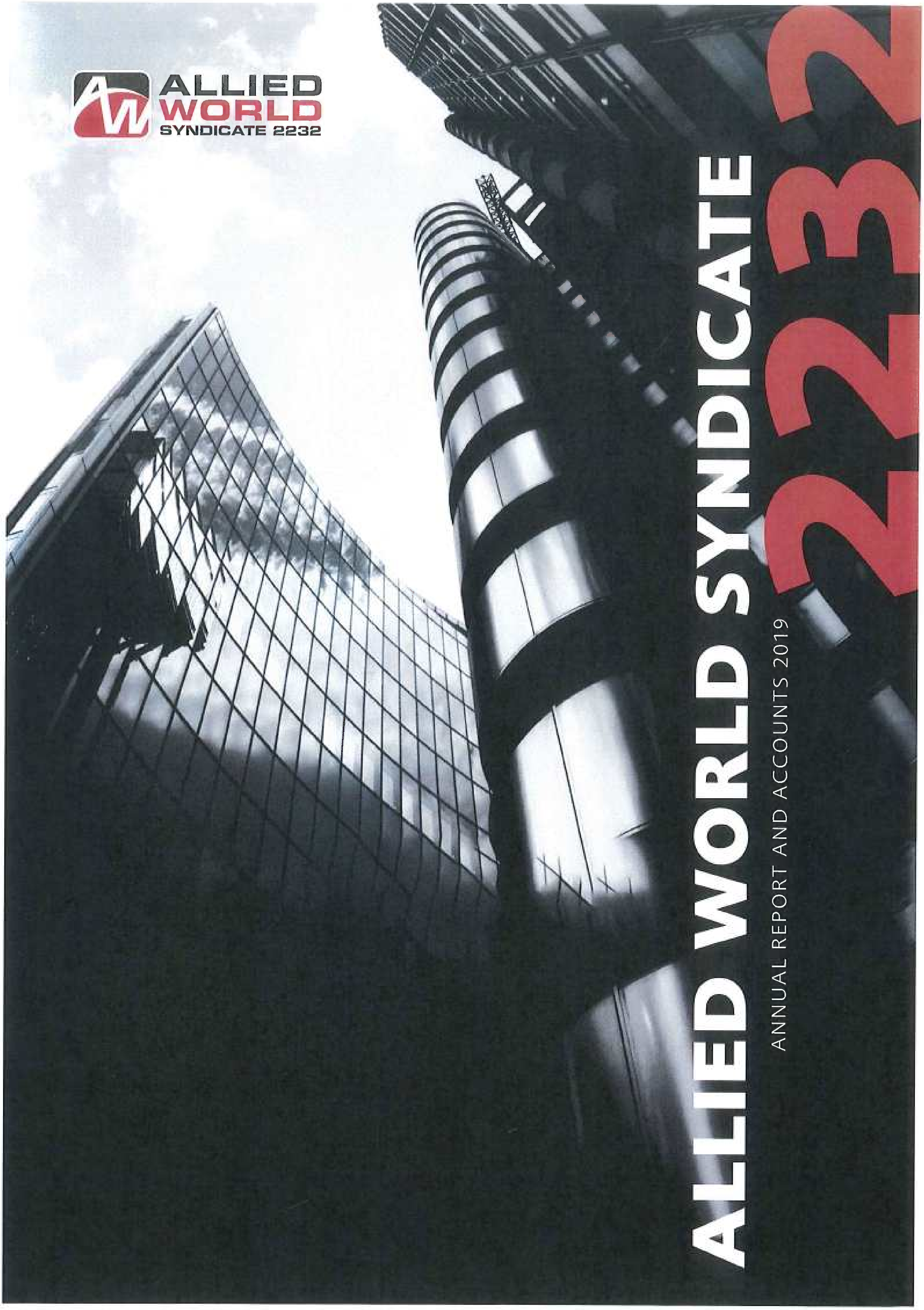
ALLIED WORLD
SYNDICATE 2232



ALLIED WORLD SYNDICATE 2232

ANNUAL REPORT AND ACCOUNTS 2019

CONTENTS

DIRECTORS AND ADMINISTRATION

Managing Agent

Managing Agent
The immediate holding company of Allied World Managing Agency Limited ("AWMA") is Allied World Europe Holdings, Ltd, which is incorporated in Bermuda. The company's ultimate parent and to which the results of the Company are consolidated into is Fairfax Financial Holdings Limited ("Fairfax").

Directors
J Evans (Non-Executive Chairman) (Resigned 13 February 2020)
J Redmond (Non-Executive Chairman) (Appointed 13 February 2020)
N Macmillan (Non-Executive)
E Moresco
N Lightbown (Resigned 31 December 2019)
M O'Leary
D Powell
D Russell (Resigned 31 March 2019)
S Shah (Resigned 31 January 2020)

Company secretary
S O'Riordan

Managing agent's registered office:
19th Floor
20 Fenchurch Street
London
EC3M 3BY

Managing agent's registered number
07249776

Syndicate

Active underwriters
D Powell
B Grefe

Bankers
Barclays Bank plc - London
Citibank NA - London, New York and Singapore
RBC Dexia - Toronto
HSBC - Singapore

Statutory auditor
PricewaterhouseCoopers LLP

Appointed actuary
KPMG LLP

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of AWMA, the managing agent, present their report for Syndicate 2232 ("the Syndicate") for the year ended 31 December 2019.

Basis of Preparation

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No.1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Principal Activities

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business. The Syndicate underwrites a broad range of classes of business concentrating mainly on property and casualty business written on both a direct and reinsurance basis. The Syndicate's capacity for the 2019 year was £176.0m (2018: £188.9m).

The directors have a reasonable expectation that the Syndicate and AWMA have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Results

The result for the year ended 31 December 2019 was a loss on the Technical Account of £21.5m (2018: £1.6m profit).

The Syndicate's key financial performance indicators during the year were as follows:

	2019	2018
	£000	£000
Gross premiums written	**219,196**	225,162
Gross premiums earned	**214,935**	211,597
Net premiums earned	**124,895**	128,859
Balance on technical account	**(21,520)**	1,629

Review of the Business

The Syndicate's business is produced through the Lloyd's broker network and written in the subscription market, in either a lead or follow capacity. The Syndicate is a member of the Lloyd's Asia platform in Singapore and also operates through service companies in Miami, Allied World Reinsurance Management Company, and Bermuda, Allied World Syndicate Services (Bermuda), Ltd.

The Syndicate has used the opportunities that the Lloyd's brand provides to pursue measured growth in line with the medium term strategy by:

- Steady, controlled expansion in existing classes, including increasingly making use of opportunities generated by collaboration with fellow Fairfax companies.
- Having the flexibility to adapt our approach as circumstances change.
- Adjusting the compositions and strategy of teams in response to changing market conditions and wider social, legal and economic trends.
- Strengthening our operational resources and seeking new partnerships.
- Continuing to enhance and expand our capabilities in delegated underwriting management and operations.
- Underwrite classes of business where 'underwriting matters', as opposed to focusing on high volume or cash-flow underwriting opportunities.
- Continue as an influential and meaningful Lloyd's market-participant in the core classes of business, for which our underwriters have a mature business proposition.
- Continue to develop meaningful, diverse and cost-competitive distribution strategies and channels, with continued emphasis on making it easier and simpler for customers to access products and services.
- Invest in technology that makes doing business easier, servicing claims faster and increasing efficiency while reducing costs in a digitalised platform.

Review of the Business (continued)

While we will continue to be alert to opportunities to grow, our priority is to restore profitability across the board, reducing or exiting lines of business as necessary and to make the most effective use of our expertise in existing lines of business.

The Aviation class has been widely recognised as being under particular pressure for at least a decade. Whilst the Aviation class of business performed better than the market average, we still did not believe it offered acceptable returns and exited the Aviation sector from the 2019 year of account onward.

The Property class has undergone significant transformation over recent years with a repositioning of the portfolio and a focus on restoring profitability following deteriorating results. During 2019 approximately £14.2m of open market and £3.8m of delegated business has been removed from the Syndicate. The remedial action we have undertaken includes a reduction in exposures in critical natural catastrophe areas and withdrawal from non-profitable segments, e.g. mining. Linesize on higher hazard occupancies has been reduced with a drive to achieve appropriate technical rates. Coverage, deductibles and extensions continue to be scrutinized to ensure they are relevant for the exposure. Furthermore there is a push to reduce broker acquisition costs on both open market and binder business. The revised strategy for the Syndicate and the changing market landscape allows us a high degree of selection of business written.

AWMA acquired the Bespoke class for the 2019 year of account, the business had been previously underwritten by Lloyd's Syndicate 780 ("S780") under the management of Advent Underwriting Limited ("Advent") a subsidiary of Fairfax. The portfolio is a mix of traditional coverages including trucking (FTC), non-target goods on trucking (MTC), terrorism (TRIA) and affinity products including credit card enhancements, mortgage impairment, auto-related and personal cyber.

The Syndicate started writing renewal and new business from 1 January 2019 through the Lloyd's Insurance Company S.A. ("Lloyd's Brussels"). Business written through the Lloyd's Brussels operation is reinsured 100% to the Syndicate.

Existing non-EEA insurance and reinsurance policies written by the Syndicate will be serviced beyond 31 January 2020, the date of the UK's withdrawal from the EU, including the payment of valid claims. To achieve this, the Syndicate will transfer all relevant EEA business written between 2010 and 2018 to Lloyd's Brussels, before the end of 2020. This will be undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000.

The Company has supported the market initiative to utilize Placing Platform Limited ("PPL") as our placing platform of choice. We have consistently exceeded the targets that were set by Lloyd's throughout 2019 and with our underwriters and broking partners working together, we were in the top quartile for PPL usage across the market throughout 2019.

Underwriting Result

The overall balance on the technical account was a loss of £21.5m (2018: profit of £1.6m), after expenses and investment return but before foreign exchange adjustments.

Gross premium written for the year was £219.2m, compared to £225.2m for the prior year, a decrease of £6.0m. The reduction was mainly driven by the Syndicate exiting the Aviation sector from the 2019 year of account onward and restructuring the Property class of business. The reduction in premium was partially offset by the newly acquired Bespoke class for the 2019 year of account.

The Syndicate reported a combined ratio of 120.8% (2018:101.0%). Major losses incurred by the Syndicate included 2019 pacific typhoon events (Lekima, Faxai and Hagibis). The Syndicate was impacted by loss reserve strengthening in relation to typhoon Jebi, reflecting the increased industry loss estimate during 2019.

Review of the Business (continued)

Underwriting Result (continued)

	2019 Gross premiums written £000	2019 Underwriting result £000	2018 Gross premiums written £000	2018 Underwriting result £000
LONDON *(incl Miami & Bermuda)*:				
Aviation *(incl Liability & Hull)*	2,494	151	6,083	769
Property Direct & Facultative	6,619	(5,098)	25,982	8,191
Treaty Property Latin America	17,176	7,855	18,107	15,548
Treaty Casualty Latin America	10,680	3,135	9,825	1,550
Marine	18,479	975	22,604	6,850
Casualty (incl E&O,D&O,General)	84,197	5,576	79,571	2,365
Construction	7,108	(1,713)	6,279	2,174
Bespoke	11,120	2,569	—	—
Total London	**157,873**	**13,450**	168,451	37,447
ASIA				
Property Direct & Facultative	14	326	427	363
Treaty Property	33,516	(7,358)	36,694	(1,665)
Treaty Casualty	2,298	3,472	4,797	1,280
Non-treaty Casualty	386	101	—	—
Marine	300	340	461	(144)
Casualty (incl E&O,D&O,General)	14,235	4,371	13,359	4,630
Construction	(160)	(258)	973	(21)
Total Asia	**50,589**	**994**	56,711	4,443
EUROPE				
Property Direct & Facultative	95	14	—	—
Marine	759	72	—	—
Casualty (incl E&O,D&O,General)	9,757	1,444	—	—
Non-treaty Casualty	71	8	—	—
Bespoke	52	17	—	—
Total Europe	**10,734**	**1,555**	—	—
TOTAL SYNDICATE	**219,196**	**15,999**	225,162	41,890
Allocated investment return		4,414		2,936
Net Syndicate operating expenses, including net acquisition costs and foreign exchange movements		(40,476)		(41,501)
Member's personal expenses		(1,457)		(1,696)
Balance on the technical account		**(21,520)**		1,629

Review of the Business (continued)

Expenses and investment results

The levels of gross brokerage and commissions and other acquisition costs (which typically include overseas taxes and levies) when expressed as a ratio of gross premiums written were slightly higher at 21.0% (2018: 19.5%). This increase was primarily caused by business mix, with an increase in delegated business which attracts a higher commission and a reduction in treaty business which has a lower commission. Underwriter discipline in challenging commission rates across both delegated and open market renewal and new business placements has ensured that underlying commission rates have remained stable.

The administrative expense ratio has decreased to 18.7% (2018: 19.3%).The decrease was driven by operating and expense efficiencies being embedded during the year.

A satisfactory investment return in the context of continuing low interest rates was achieved of £4.4m (2018: £2.9m).

Member's personal expenses include Central Fund contributions and Lloyd's subscriptions.

Foreign exchange and currency translation differences

The strengthening of Sterling, the Syndicate's presentational currency, relative to all major currencies contributed to a foreign exchange gain of £4.4m. This comprised of £2.7m unrealised foreign exchange gain and £1.7m net currency translation gain.

Geographic segmentation

A geographic analysis of gross premiums written by territory of original insured, for direct and facultative (D&F) (re)insurance business and territory of original cedent for treaty reinsurance business is shown below:

	2019 **£000**	2018 £000
UK	**22,590**	25,194
Other EU member states	**16,384**	28,530
Europe excluding EU member states	**4,598**	3,990
United States of America	**49,557**	43,777
Canada	**22,507**	15,089
Asia Pacific	**78,197**	80,710
Central & South America	**12,370**	15,237
Middle East & Africa	**12,993**	12,635
Total	**219,196**	225,162

Review of the Business (continued)

The principal risks and uncertainties facing the Syndicate as detailed in notes 18 and 19 to the financial statements are as follows:

- Market Risk
- Currency Risk
- Interest Rate Risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Group Risk
- Regulatory and Compliance Risk
- Underwriting Risk
- Reserve Risk
- Reinsurance Risk
- Climate Change Risk

Future developments

The objective is to manage our core business, to maximise profitability through future market cycles. In addition, the Company seeks to develop a select number of initiatives to expand our geographic distribution and product mix, always with a focus on profitable growth.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Rating Agencies

All Lloyd's Syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licences and the Central Fund. The Syndicate benefits from the following ratings held by Lloyd's: A by A.M. Best Company, A+ (Strong) by Standard & Poor's, and AA- (Very Strong) by Fitch.

Directors

The directors set out in the table below have held office for the whole period from 1 January 2019 to the date of this report unless stated otherwise.

J Evans (Resigned 13 February 2020)
J Redmond (Appointed 13 February 2020)
N Lightbown (Resigned 31 December 2019)
E Moresco
N Macmillan
M O'Leary
D Powell
D Russell (Resigned 13 March 2019)
S Shah (Resigned 31 December 2019)

Company Secretary

S O'Riordan

Provision of Capital

The Syndicate is wholly aligned with a single capital provider, Allied World Capital (Europe) Limited. The capital is held at a member level. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position on page 16, are taken into account when determining the members' Lloyd's capital requirements.

Disclosure of Information to the Auditor

The directors of AWMA who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor

PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants and Statutory Audit Firm, were appointed by the Board, as auditor, in accordance with section 384 (1) of the Companies Act 2014. PwC have indicated their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

Ed Moresco
President
5 March 2020

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Managing Agent is responsible for preparing the Syndicate annual report and financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') require the Managing Agent to prepare Syndicate annual accounts for each financial year. Under that law the Managing Agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Managing Agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

In preparing those Syndicate annual accounts, the Managing Agent is required to:

- Select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume the Syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232

Report on the syndicate annual accounts

Opinion

In our opinion, Syndicate 2232's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the 'Annual Report And Accounts 2019' (the "Annual Report"), which comprise: the Statement of Financial Position: Assets and the Statement of Financial Position: Liabilities as at 31 December 2019; the Income Statement: Technical Account, the Income Statement: Non-Technical Account, the Income Statement: Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Member's Balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate annual accounts* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Managing Agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the Managing Agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232 (CONTINUED)

Reporting on other information
The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

With respect to the Report of the Directors of the Managing Agent, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors of the Managing Agent
In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors of the Managing Agent for the year ended 31 December 2019 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors of the Managing Agent.

Responsibilities for the syndicate annual accounts and the audit
Responsibilities of the Managing Agent for the syndicate annual accounts
As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts
Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232 (CONTINUED)

Use of this report
This report, including the opinions, has been prepared for and only for the syndicate's member in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Other matters on which we are required to report by exception
Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

James Pearson (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
05 March 2020

INCOME STATEMENT: TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Earned premiums, net of reinsurance			
Premiums written			
Gross premiums written	3	**219,196**	225,162
Outward reinsurance premiums		**(96,383)**	(92,706)
Net premiums written		**122,813**	132,456
Change in the provision for unearned premiums:			
Gross amount		**(4,261)**	(13,565)
Reinsurers' share		**6,343**	9,968
Change in the net provision for unearned premiums		**2,082**	(3,597)
Earned premiums, net of reinsurance		**124,895**	128,859
Allocated investment return transferred from the non-technical account		**4,414**	2,936
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(149,936)**	(170,613)
Reinsurers' share		**62,357**	59,665
Net claims paid		**(87,579)**	(110,948)
Change in the provision for claims:			
Gross amount		**(33,619)**	34,075
Reinsurers' share		**12,302**	(10,096)
Change in the net provision for claims	4	**(21,317)**	23,979
Claims incurred net of reinsurance		**(108,896)**	(86,969)
Net Syndicate operating expenses	5	**(40,476)**	(41,501)
Member's personal expenses	8	**(1,457)**	(1,696)
Balance on the technical account for general business		**(21,520)**	1,629

INCOME STATEMENT: NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Balance on the technical account for general business		**(21,520)**	1,629
Income from investments		**3,576**	2,926
Investment management expenses		**(235)**	(361)
Realised gains/(losses) on investments		**1,073**	(336)
Unrealised gains/(losses) on investments		**—**	707
Allocated investment return transferred to technical account		**(4,414)**	(2,936)
Foreign exchange gains		**2,688**	1,712
(Loss)/profit for the financial year		**(18,832)**	3,341

All operations relate to continuing activities.

The notes on pages 19 to 44 form an integral part of these financial statements.

INCOME STATEMENT:
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
(Loss)/profit for the financial year		**(18,832)**	3,341
Other comprehensive profit/(loss):			
Currency translation differences		**1,720**	(7,555)
Total comprehensive loss for the year		**(17,112)**	(4,214)

STATEMENT OF FINANCIAL POSITION – ASSETS
AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Investments			
Financial investments	9	**151,232**	152,899
Reinsurers' share of technical provisions			
Claims outstanding		**149,542**	140,676
Provision for unearned premium		**59,577**	54,680
		209,119	195,356
Debtors			
Debtors arising out of direct insurance operations	10	**58,730**	67,620
Debtors arising out of reinsurance operations	10	**57,135**	29,814
Other debtors	10	**3,479**	2,879
		119,344	100,313
Other assets			
Cash at bank and in hand		**28,752**	37,743
Overseas deposits	11	**20,306**	16,065
		49,058	53,808
Prepayments and accrued income			
Accrued interest and rent		**139**	72
Other prepayments and accrued income		**44**	—
Deferred acquisition costs		**22,443**	21,808
		22,626	21,880
Total assets		**551,379**	524,256

The notes on pages 20 to 44 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION – LIABILITIES
AT 31 DECEMBER 2019

	Notes	**2019** **£000**	2018 £000
Capital and reserves			
Member's balance		**(97,999)**	(110,841)
Technical provisions			
Claims outstanding		**396,533**	373,174
Provision for unearned premium		**115,854**	114,679
		512,387	487,853
Creditors			
Creditors arising out of direct insurance operations	12	**16,994**	20,340
Creditors arising out of reinsurance operations	12	**89,036**	97,615
Other creditors	12	**9,227**	8,977
		115,257	126,932
Accruals and deferred income	13	**21,734**	20,312
Total liabilities		**551,379**	524,256

The notes on pages 20 to 44 form an integral part of these financial statements.

The financial statements on pages 13 to 44 were approved by the board of directors of AWMA and were signed on its behalf by:

M O'Leary
Finance Director
5 March 2020

STATEMENT OF CHANGES IN MEMBER'S BALANCES

AT 31 DECEMBER 2019

	2019 **£000**	2018 £000
Member's balance at 1 January	**(110,841)**	(142,730)
Loss collection	**29,954**	36,103
Loss for the financial period	**(17,112)**	(4,214)
Member's balances carried forward at 31 December	**(97,999)**	(110,841)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	**(18,832)**	3,341
Adjustments for:		
Increase/(decrease) in gross technical provisions	**24,532**	(6,687)
Increase in reinsurer's share of gross technical provision	**(13,764)**	(9,524)
Increase in debtors	**(19,030)**	(11,175)
Decrease in creditors	**(10,252)**	50,265
Movement in other assets/liabilities	**(4,986)**	(8,286)
Realised investment return	**(4,414)**	(2,936)
Unrealised foreign exchange	**1,720**	(7,795)
Net cash (outflows)/inflows from operating activities	**(45,026)**	7,203
Cash flows from investing activities		
Purchase of equity and debt instruments	**(52,309)**	(63,527)
Sale of equity and debt instruments	**52,236**	34,854
Foreign exchange	**949**	—
Investment income received	**4,205**	3,970
Net cash inflows/(outflows) from investing activities	**5,081**	(24,703)
Cash flows from financing activities		
Transfer from members in respect of underwriting participations	**29,955**	36,103
Net cash inflows from financing activities	**29,955**	36,103
Net (decrease)/increase in cash and cash equivalents	**(9,991)**	18,603
Cash and cash equivalents at 1 January	**37,743**	18,618
Foreign exchange on cash and cash equivalents	**1,000**	522
Cash and cash equivalents at 31 December	**28,752**	37,743

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102, The Financial Standard applicable in the UK (FRS 102) as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts (FRS 103) as issued in February 2017. These financial statements for the year ended 2019 comply with FRS 102 and the Companies Act 2006.

The directors of the Managing Agent have prepared the annual accounts on the basis that the Syndicate will continue to underwrite business in the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts statements.

2. Accounting Policies

The principal accounting policies are described below. These accounting policies have been applied consistently throughout the current and preceding reporting period.

2(a) Premiums written and reinsurance premiums ceded

Gross written and outwards reinsurance premiums comprise premiums on contracts incepting during the financial year. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums. Outwards reinsurance premiums are disclosed gross of commissions and profit participations recoverable from reinsurers. Premiums written include estimates for 'pipeline' premiums. Reinstatement premiums related to property catastrophe reinsurance are estimated and accrued based upon contractual terms applied to the amount of losses expected to be paid.

2(b) Unearned premiums

The provision for unearned premium comprises the proportion of gross and outwards reinsurance premiums written, which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method or established earning patterns for particular classes such as construction and mergers and acquisitions.

2(c) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the acquisition of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which is unearned at the balance sheet date.

2(d) Claims provisions and related recoveries

The provision for claims and claims expenses includes estimates for unpaid claims and claims expenses on reported losses as well as an estimate of losses incurred but not reported "IBNR". The provision is based upon individual claims, case reserves and other reserve estimates reported by insured's and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claims severity and frequency and other factors which could significantly vary as claims are settled. The directors of the Managing Agency consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate losses may vary materially from the amounts provided in the financial statements. Ultimate loss estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the financial statements of operations in the period in which they become known and are accounted for as changes in estimates.

Amounts recoverable from reinsurers are calculated in a manner consistent with the claim liability associated with the reinsured policies. The amounts recoverable from reinsurers are recorded net of bad debt provision for estimated uncollectable recoveries.

2. Accounting Policies (continued)

2(e) Unexpired risk

Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business, after taking into account the relevant investment return.

2(f) Investments

Investments are carried at their current fair market value as shown in note 9.

2(g) Investment return

Investment return comprises income received and receivable on fixed income securities, interest earned and accrued on cash, realised gains on disposal of investments and unrealised gains on investments held.

All investment return is initially recognised in the non-technical account. It is then transferred to the technical account as it all relates to funds supporting underwriting business.

2(h) Reporting currency

The functional currency of the Syndicate is United States Dollars ($), as it is the currency of the primary economic environment. The presentational currency is United Kingdom Pounds Sterling (£).

2(i) Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Revenues, costs and non-monetary assets and liabilities are translated at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency translation and on settlement of amounts receivable and payable in foreign currencies are dealt with through the profit and loss account. Profits and losses arising from the translation from functional to presentational currency are dealt with through the statement of other comprehensive income.

2(j) Taxation

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'. No provision has been made for any overseas tax payable by members on underwriting results.

2(k) Bad debts

Bad debts are provided for only where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate.

2(l) Reinsurers' commissions and profit participations

Reinsurers' commissions and profit participations, which include reinsurance profit commission and overriders, have been treated as a contribution to expenses, rather than as a premium adjustment.

2. Accounting Policies (continued)

2(m) Critical accounting judgments and key sources of uncertainty

In the application of the Syndicate's accounting policies, which are described above, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key area of uncertainty which requires the use of accounting judgments is the calculation of claims provisions. This is covered in detail earlier in note 2(d) and in notes 20 under insurance risk management. The estimates and underlying assumptions used are reviewed on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2019

3. Segmental Analysis

An analysis of the underwriting result before investment return is set out below:

2019	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Net operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct Insurance						
Aviation	**2,883**	**5,228**	**(5,651)**	**(848)**	**(227)**	**(1,498)**
Transport	**19,721**	**16,269**	**(16,602)**	**(5,666)**	**616**	**(5,383)**
Fire and other damage to property	**13,370**	**14,630**	**(7,475)**	**(2,565)**	**(4,274)**	**316**
Third-party liability	**85,001**	**76,828**	**(55,730)**	**(9,963)**	**(14,281)**	**(3,146)**
Pecuniary loss	**2,929**	**2,470**	**(1,209)**	**(259)**	**(689)**	**313**
	123,904	**115,425**	**(86,667)**	**(19,301)**	**(18,855)**	**(9,398)**
Reinsurance	**95,292**	**99,510**	**(96,890)**	**(22,632)**	**3,475**	**(16,537)**
Total	**219,196**	**214,935**	**(183,557)**	**(41,933)**	**(15,380)**	**(25,935)**

Of the £219.2m gross premiums written, £157.9m were underwritten in the UK, £50.6m were underwritten in Asia and £10.7 were underwritten in Europe.

2018	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance						
Aviation	5,520	4,838	(2,892)	(972)	(1,277)	(303)
Transport	9,417	8,673	3,319	(2,606)	(6,244)	3,142
Fire and other damage to property	22,645	22,874	(21,511)	(5,078)	2,917	(798)
Third-party liability	80,190	68,046	(45,315)	(11,334)	(14,079)	(2,682)
Pecuniary loss	3,534	2,085	(8,310)	(175)	4,451	(1,949)
	121,306	106,516	(74,709)	(20,165)	(14,232)	(2,590)
Reinsurance	103,856	105,081	(61,829)	(23,032)	(18,936)	1,284
Total	225,162	211,597	(136,538)	(43,197)	(33,168)	(1,306)

Of the £225.2m gross premiums written, £168.5m were underwritten in the UK and £56.7m were underwritten in Asia.

4. Change in Technical Provisions

The change in net provision for claims is made up of the following:

	Gross		Reinsurers' share	
Unearned premium reserve	**2019 £000**	2018 £000	**2019 £000**	2018 £000
At 1 January	**(114,679)**	(97,750)	**54,680**	42,173
Movement in provision	**(4,261)**	(13,565)	**6,343**	9,968
Foreign exchange movements	**3,088**	(3,364)	**(1,446)**	2,538
Total	**(115,852)**	(114,679)	**59,577**	54,679

	Gross		Reinsurers' share	
Claims outstanding	**2019 £000**	2018 £000	**2019 £000**	2018 £000
At 1 January	**(203,101)**	(176,625)	**66,355**	53,781
Movement in provision	**23,924**	(19,270)	**(10,711)**	9,312
Less: portfolio transfer	**(2,388)**	(516)	**814**	10
Foreign exchange movements	**5,916**	(6,690)	**(1,482)**	3,252
Total	**(175,649)**	(203,101)	**54,976**	66,355

	Gross		Reinsurers' share	
IBNR	**2019 £000**	2018 £000	**2019 £000**	2018 £000
At 1 January	**(166,571)**	(216,952)	**74,320**	90,824
Movement in provision	**(55,155)**	53,322	**22,199**	(19,395)
Foreign exchange movements	**5,878**	(2,941)	**(1,953)**	2,891
Total	**(215,848)**	(166,571)	**94,566**	74,320

	Gross		Reinsurers' share	
Change in the provision for claims	**2019 £000**	2018 £000	**2019 £000**	2018 £000
At 1 January	**(369,672)**	(393,577)	**140,676**	144,606
Movement in provision	**(33,619)**	33,536	**12,302**	(10,073)
Foreign exchange movements	**11,794**	(9,632)	**(3,435)**	6,143
Total	**(391,497)**	(369,673)	**149,543**	140,676

Claims incurred, net of reinsurance, included adverse prior year development of £11.6m (2018: favourable development of £8.5m) following loss reserve strengthening in the Treaty Property and Third-party Liability classes.

5. Net Syndicate Operating Expenses

	2019 £000	2018 £000
Brokerage and commissions	**43,548**	41,696
Other acquisition costs	**2,450**	2,251
Change in deferred acquisition costs	**453**	1,233
Gross acquisition costs	**46,451**	45,180
Reinsurers' commissions and profit participations	**(27,857)**	(26,809)
Net acquisition costs	**18,595**	18,371
Administrative expenses	**21,881**	23,130
Total	**40,476**	41,501

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT). An analysis of the auditor's remuneration is as follows:

	2019 £000	2018 £000
Audit fees:		
Fees payable to the Syndicate's auditor for the audit of these financial statements	**115**	93
Non-audit fees:		
Other services pursuant to legislation	**90**	81

Other services pursuant to legislation include fees for the Syndicate half year review and year- end audit of Solvency II balance sheet and fees payable to an affiliate of the Syndicate auditor in respect of the Singaporian regulatory return annual audit.

6. Staff Numbers and Costs

The average number of full time equivalent employees employed by the Allied World group of companies working on Syndicate matters during the year was as follows:

	2019	2018
Administration and finance	**35**	36
Underwriting and claims	**52**	48
Total	**87**	84

The table above includes nine employees who are employed directly by Allied World Managing Agency Limited.

AWMA does not charge a Managing Agency fee, it has recharged various expenses which have been incurred on the Syndicate's behalf. These amounted to £16.0m (2018: £16.7m) for the financial period.

7. Emoluments of the Directors of AWMA

The directors of AWMA received the following aggregate remuneration of £1.4m (2018:£1.6m) charged to the Syndicate and included within net operating expenses.

The amount recharged to the Syndicate in respect of the aggregate remuneration of the active underwriters for the year ended 31 December 2019 was £658k (2018: £351k).

8. Member's Personal Expenses

	2019 £000	2018 £000
Central fund	**680**	833
Lloyd's subscriptions	**777**	863
Total	**1,457**	1,696

9. Financial Investments

	Market Value 2019 £000	Cost 2019 £000	Market Value 2018 £000	Cost 2018 £000
Shares and other variable yield securities	**85,080**	**85,080**	94,391	94,391
Debt securities and other fixed income securities	**66,152**	**72,087**	58,508	64,596
Total	**151,232**	**157,167**	152,899	158,987

All debt securities and other fixed income securities are listed on a recognised stock exchange and are valued at fair value through profit and loss.

The Syndicate classifies its financial instruments held at fair value in its balance sheet using fair value hierarchy, as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Prices based on recent transactions in identical assets (either unadjusted or adjusted)
- Level 3 - Prices determined using the valuation technique

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

The table below analyses financial instruments held at fair market value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Shares and other variable yield securities	**84,481**	—	**599**	**85,080**
Debt securities and other fixed income securities	**16,941**	**49,211**	—	**66,152**
Overseas deposits	**16,548**	**3,758**	—	**20,306**
Total	**117,970**	**52,969**	**599**	**171,538**

2018	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Shares and other variable yield securities	94,391	—	—	94,391
Debt securities and other fixed income securities	—	58,508	—	58,508
Overseas deposits	12,960	3,105	—	16,065
Total	107,351	61,613	—	168,964

10. Debtors

	2019 £000	2018 £000
Debtors arising from insurance operations:		
Amounts due within one year	**58,730**	67,619
Amounts due after one year	—	1
Total	**58,730**	67,620
Debtors arising from reinsurance operations:		
Amounts due within one year	**57,135**	29,666
Amounts due after one year	—	148
Total	**57,135**	29,814
Other debtors		
Amounts due within one year	**3,479**	2,879

11. Overseas Deposits

Overseas deposits comprise funds that are lodged as a condition of conducting underwriting business in certain countries. Certain overseas deposits relating to Australian situs business previously funded by the Syndicate were replaced in 2013 by a letter of credit (LOC) funded by Allied World Assurance Company, Ltd. The amount of LOC provided as at 31 December 2019 was AUS$25.4m (31 December 2018: AUS$18.6m).

12. Creditors

	2019 £000	2018 £000
Creditors arising from insurance operations:		
Amounts due within one year	**16,994**	20,340
Creditors arising from reinsurance operations:		
Amounts due within one year	**89,036**	97,615
Other creditors		
Amounts due within one year	**9,227**	8,977

Other creditors comprise mainly expense recharges from affiliated companies.

13. Accruals and Deferred Income

	2019 **£000**	2018 £000
Amounts due within one year		
Accruals	**4,903**	4,749
Reinsurance deferred acquisition costs	**16,831**	15,563
Total	**21,734**	20,312

The balance above relates to various operating expenses.

14. Post Balance Sheet Events

There have been no post balance sheet events which require disclosure or an adjustment to the financial statements for the year ended 31 December 2019.

15. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's "FAL". These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating underwriting members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on UK regulatory requirements. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

As at 31 December 2019 the FAL balance was £287.0m.

16. Foreign Exchange Rates

The functional currency of Allied World Assurance Company Holdings, Ltd (and, collectively with its subsidiaries, the "Group") is US Dollars. These financial statements are presented in pound sterling in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

The following currency exchange rates illustrate the main foreign currency rates of exchange which were used for currency translation.

	2019 Average rate	**2019 Year end rate**	2018 Average rate	2018 Year end rate
Australian Dollar	1.84	1.87	1.79	1.80
US Dollar	1.28	1.30	1.34	1.26
Canadian Dollar	1.70	1.70	1.73	1.72
Singapore Dollar	1.74	1.76	1.80	1.73

17. Capital Management

In order to meet the Society of Lloyd's requirements, the Syndicate is required to calculate its solvency capital requirements ("SCR") for the prospective underwriting year. The SCR for the Syndicate is based on the modelled output of the economic capital model ("ECM"). This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities. Lloyd's applies a 35% capital uplift to the members' capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

The ECM is also used for internal reporting and outputs are provided to the board of directors of AWMA and committees. ECM outputs are included in the Syndicate's Own Risk Solvency Assessment ("ORSA") report, which will be submitted to Lloyd's on or before 30 March 2020.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level, the requirement to meet Solvency II and Lloyd's capital requirements apply at member level only. Accordingly the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

The level of FAL which supports the Syndicate's underwriting activities and member's deficit is disclosed in note 15.

18. Financial Risk Management

The Syndicate's financial instruments include investments in securities at fair value through the profit and loss, other receivables, cash and cash equivalents, other payables, accruals and liabilities. The risks associated with these financial instruments include market risk (currency risk,inflation risk,interest rate risk and price risk), credit risk and liquidity risk. The Syndicate also has insurance-related assets and liabilities which have similar financial risks.

The policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk, inflation risk, interest rate risk and price risk are all grouped under market risk which is defined as the risk arising from fluctuations in values of, or income from, invested assets including fluctuations due to movements in interest rates, foreign exchange rates, credit spreads, or credit defaults.

Price risk

The Syndicate is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Syndicate has no significant concentration of price risk. The risk is managed by the Syndicate by maintaining an appropriate mix of low-risk debt securities and other fixed income securities.

18. Financial Risk Management (continued)

Operational risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems. It also includes legal risks that arise from failure to comply with relevant laws or regulations. "External events" as countenanced by business continuity plans are also covered under operational risk.

AWMA has developed and implemented a risk register and risk governance system to ensure effective risk management of operational risk is carried out. Management receives regular operational risk updates and the Board of Directors oversees the risk framework.

AWMA has entered into a number of outsourcing arrangements in accordance with outsourcing policies and procedures, the risks and performance of that are monitored by management.

It is critical for AWMA that the key resources required to support its underwriting and other essential business activities continue to be available. A number of contingency plans are in place to mitigate any loss of key resources from disrupting the ongoing operations of the Syndicate and AWMA.

Strategic risk

This relates to the risk of not achieving the Syndicate's short and long term objectives due to any inability to implement appropriate business plans and strategies, make decisions (especially in the context of risk mitigation), allocate capital or resources, or adapt to changes in the business environment.

Climate change risk

Financial risks from climate change include increased property losses from physical damage, increased liability losses due to transitionary impacts or increased asset volatility from both physical and transitional risks.

Stress and scenario tests have been developed to assess the financial risk from climate change and noted that the risk is within risk appetites.

Physical damage

The physical damage climate change risks are from increased frequency and/or severity are beyond anticipated; new catastrophe perils in regions previously not susceptible to these events; and liability claims where the cost of increased infrastructure (e.g. flood levees) are being sought from assureds thought to be responsible for climate change.

Allied World review and assess their view of catastrophe risk based on the latest catastrophe models and aggregate exposures and use the output of the analysis within their pricing models to minimise the risk of losses being greater than anticipated. Allied World review their portfolio composition and where a liability or reputational risk is expected to emerge underwriting actions are taken to reduce or mitigate this risk.

Transitional risk

Transitional risk is the risk of assureds not adapting to shifts towards a low-carbon economy influenced by government policies, society preferences, changes in technology. Allied World will continue to monitor this risk as it develops however it is currently a low risk to the portfolio.

18. Financial Risk Management (continued)

Asset volatility

Asset volatility may increase if assets are invested with a short-term view not having taken into consideration the potential longer-term climate change related impacts. Assured's dependent on fossil fuels or producing significant pollutants or products that are thought to contribute to climate change and have not made any strategic plans to change or have to change quicker than planned as a result of transitional regulatory impacts.

Allied World have minimised this risk by taking a longer-term view when investing in assets and thus currently have no assets invested in fossil fuel mining or producers or major users of fossil fuels such as air or shipping transportation, chemical manufacturers etc. and thus this risk is considered to be low.

18. Financial Risk Management (continued)

Currency risk

The Syndicate's exposure to currency risk arises primarily from the currency mismatch in assets and liabilities primarily driven by insurance debtors and insurance creditors denominated in currencies other than the functional currency. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Carrying amounts of the Syndicate's material foreign currency denominated assets and liabilities are shown below, this excludes members balances (see note 12):

2019	**GBP £000**	**USD £000**	**CAD £000**	**AUD £000**	**OTH £000**	**Total £000**
Financial investments	**599**	**51,112**	**54,086**	**45,435**	**—**	**151,232**
Overseas deposits	**—**	**672**	**10,713**	**616**	**8,305**	**20,306**
Reinsurer's share of technical provisions	**9,843**	**181,979**	**4,610**	**12,687**	**—**	**209,119**
Insurance and reinsurance receivables	**9,287**	**88,156**	**2,213**	**16,206**	**—**	**115,862**
Cash and cash equivalents	**5,128**	**5,514**	**27**	**10,337**	**7,746**	**28,752**
Other assets	**6,340**	**11,960**	**2,131**	**5,674**	**—**	**26,105**
Total assets	**31,197**	**339,393**	**73,780**	**90,955**	**16,051**	**551,376**
Technical provisions	**(103,887)**	**(297,219)**	**(26,771)**	**(84,509)**	**—**	**(512,386)**
Insurance and reinsurance payables	**(1,029)**	**(101,367)**	**(641)**	**(2,993)**	**—**	**(106,030)**
Other creditors	**5,137**	**(32,553)**	**(890)**	**(2,655)**	**—**	**(30,961)**
Total liabilities	**(99,779)**	**(431,139)**	**(28,302)**	**(90,157)**	**—**	**(649,377)**

2018	GBP £000	USD £000	CAD £000	AUD £000	OTH £000	Total £000
Financial investments	—	65,803	42,579	44,517	—	152,899
Overseas deposits	—	1,066	9,297	609	5,093	16,065
Reinsurer's share of technical provisions	6,933	175,175	3,220	10,027	—	195,355
Insurance and reinsurance receivables	12,811	64,348	1,433	18,842	—	97,434
Cash and cash equivalents	3,561	17,326	246	11,985	4,624	37,742
Other assets	11,201	6,069	1,200	6,291	—	24,761
Total assets	34,506	329,787	57,975	92,271	9,717	524,256
Technical provisions	(105,447)	(286,146)	(16,704)	(79,556)	—	(487,853)
Insurance and reinsurance payables	(2,596)	(112,199)	(287)	(2,874)	—	(117,956)
Other creditors	(327)	(26,571)	(684)	(1,707)	—	(29,289)
Total liabilities	(108,370)	(424,916)	(17,675)	(84,137)	—	(635,098)

18. Financial Risk Management (continued)

Interest rate risk

The fixed income securities in the Syndicate's investment portfolio are subject to interest rate risk. Any changes in interest rates have a direct effect on the market values of fixed income securities. As interest rates rise, the market values fall and vice versa.

In the table below, 50 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible change in interest rates over the next year.

	2019 £000	2018 £000
Impact of 50 basis point increase on result	**(968)**	(1,010)
Impact of 50 basis point decrease on result	**968**	1,010
Impact of 50 basis point increase on net assets	**(968)**	(1,010)
Impact of 50 basis point decrease on net assets	**968**	1,010

The Syndicate's method for interest rate fluctuations has not changed significantly over the financial year.

Credit risk

Credit risk arises out of the failure of a counter party to perform according to the terms of the contract. The Syndicate's major areas of credit risk are in relation to its investment portfolio, its reinsurance program and the amounts due from policyholders and intermediaries.

The Syndicate's investment portfolio is managed pursuant to guidelines that follow the prudent person principles. The guidelines limit the allowable holdings of a single issue and issuer. The Syndicate believes that there are no significant concentrations of credit risk associated with its investment portfolio.

The Syndicate purchases reinsurance in order to limit its maximum loss, to protect against concentration of risk within the portfolio and to manage exposure to catastrophic events. Because the ceding of insurance does not discharge the Syndicate from its primary obligation to the insureds, the Syndicate remains liable to the extent that its reinsurers do not meet their obligations under the reinsurance agreements. Therefore, the Syndicate evaluates the financial condition of its reinsurers and monitors concentration of credit risk. No material provision has been made for unrecoverable reinsurance as of 31 December 2019 as the Syndicate believes that reinsurance balances will be recovered.

Insurance balances receivable primarily consist of net premiums due from insureds and reinsureds. The Syndicate believes that the counterparties to these receivables are able to meet, and will meet, all of their obligations. The Syndicate's credit risk is further reduced by the contractual right to offset loss obligations or unearned premiums against premiums receivable or to cancel policies as per the cancellation clause in all policies for non-payment. Consequently, the Syndicate has not included any material provision for unrecoverable accounts receivable.

18. Financial Risk Management (continued)

Credit risk (continued)

The following table show aggregated credit risk exposure for assets by credit rating:

2019	**AAA**	**AA**	**A**	**BBB or less**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities	**7,659**	**1,565**	**70,337**	**—**	**5,519**	**85,080**
Debt securities and other fixed income securities	**8,234**	**57,918**	**—**	**—**	**—**	**66,152**
Overseas deposits	**7,600**	**1,633**	**1,489**	**6,333**	**3,251**	**20,306**
Reinsurer' share of claims outstanding	**—**	**48,940**	**80,037**	**—**	**20,565**	**149,542**
Reinsurance debtors	**—**	**—**	**—**	**—**	**—**	**—**
Cash at bank and in hand	**—**	**—**	**28,752**	**—**	**—**	**28,752**
Total credit risk	**23,493**	**110,056**	**180,615**	**6,333**	**29,335**	**349,832**

2018	AAA	AA	A	BBB or less	Not rated	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities	22,996	3,846	50,504	—	17,045	94,391
Debt securities and other fixed income securities	190	58,318	—	—	—	58,508
Overseas deposits	7,274	1,235	1,286	3,366	2,904	16,065
Reinsurer' share of claims outstanding	—	39,151	69,460	—	32,065	140,676
Reinsurance debtors	—	171	673	20	—	864
Cash at bank and in hand	—	—	37,743	—	—	37,743
Total credit risk	30,460	102,721	159,666	3,386	52,014	348,247

18. Financial Risk Management (continued)

Credit risk (continued)

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining the value of the impaired assets were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

2019	Neither due nor impaired	Past due less than 90 days	Past due 91 to 180 days	Past due 181 to 365 days	Past due more than 365 days	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities	85,080	—	—	—	—	85,080
Debt securities and other fixed income securities	66,152	—	—	—	—	66,152
Overseas deposits as investments	20,306	—	—	—	—	20,306
Reinsurer' share of claims outstanding	149,541	—	—	—	—	149,541
Reinsurance debtors	—	—	—	—	—	—
Cash at bank and in hand	28,752	—	—	—	—	28,752
Insurance debtors	32,532	9,468	5,747	8,082	2,900	58,729
Other debtors	139,122	1,032	1,518	488	657	142,817
Total credit risk	521,485	10,500	7,265	8,570	3,557	551,377

2018	Neither due nor impaired	Past due less than 90 days	Past due 91 to 180 days	Past due 181 to 365 days	Past due more than 365 days	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities	94,391	—	—	—	—	94,391
Debt securities and other fixed income securities	58,508	—	—	—	—	58,508
Overseas deposits as investments	16,065	—	—	—	—	16,065
Reinsurer' share of claims outstanding	140,676	—	—	—	—	140,676
Reinsurance debtors	864	—	—	—	—	864
Cash at bank and in hand	37,743	—	—	—	—	37,743
Insurance debtors	43,108	7,076	9,553	3,779	4,103	67,619
Other debtors	105,214	1,559	964	452	200	108,389
Total credit risk	496,569	8,635	10,517	4,231	4,303	524,255

18. Financial Risk Management (continued)

Liquidity risk

The Syndicate follows a prudent person principle investment strategy in line with Group. The Group strategy is designed to emphasise the preservation of invested assets, and provide adequate liquidity for the prompt payment of claims as well as attractive returns for the member.

To help ensure adequate liquidity for the payment of claims, the Syndicate takes into account the maturity and duration of its investment portfolio and its liability profile. In setting investment guidelines, the Syndicate considers the impact of various catastrophic events to which the Syndicate may be exposed. The majority of its assets are invested in the fixed income markets. There are restrictions on the maximum amount of its investment portfolio that may be invested in alternative investments (such as hedge funds and private equity vehicles) as well as a minimum amount that must be maintained in investment grade fixed income securities and cash. There are also restrictions on the portfolio's composition, including limits on the type of issuer, sector limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types.

For several asset classes the Syndicate has engaged outside investment managers to provide us with certain discretionary investment management services. The Managing Agent has agreed to pay investment management fees based on the market values of the investments in the portfolio. The fees, which vary depending on the amount of assets under management, are included as a deduction to net investment income. These investment management agreements may generally be terminated by either party upon 30 days prior written notice.

The Syndicate has also developed investment guidelines that include restrictions on the permissible security types the investment managers may include in the portfolios that they manage. The Syndicate may direct its investment managers to invest some of the investment portfolio in currencies other than US dollar based on the business the Syndicate has written, the currency in which our loss reserves are denominated on our books or regulatory requirements.

The following table details the Syndicate's expected maturity for its non-derivative assets. The tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Syndicate anticipates that the cash flow will occur in a different period.

2019	**No stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Claims outstanding	—	**125,185**	**134,996**	**73,519**	**62,833**	**396,533**
Creditors	—	**115,257**	—	—	—	**115,257**
Total	—	**240,442**	**134,996**	**73,519**	**62,833**	**511,790**

2018	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Claims outstanding	—	117,774	130,017	70,454	54,929	373,174
Creditors	—	126,931	—	—	—	126,931
Total	—	244,705	130,017	70,454	54,929	500,105

18. Financial Risk Management (continued)

Group risk

Group risk refers to the potential impact of risk events, of any nature, arising in or from membership of a corporate group. Potential negative impacts on the activities of the Syndicate by Allied World Assurance Company Holdings, Ltd, and its subsidiaries (collectively, the "Group").

Regulatory and compliance risk

This is the risk of there being a financial loss owing to a breach of regulatory requirements and/or a failure to respond to a regulatory change.

The Syndicate is required to comply with the requirements of a number of regulators including the Financial Conduct Authority "FCA", Prudential Regulation Authority "PRA", Monetary Authority Singapore "MAS", The Office Of the Superintendent of Financial Institutions "OFSI", Australian Prudential Regulation Authority "APRA" and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business.

Policies and processes

Policies specific to the Syndicate are in place for all of the above risk categories, under the auspices of an overarching Risk Management Strategy and Governance Framework document. These documents are reviewed by the Board on an annual basis, with the responsibility delegated on an operational basis to the risk management function under the leadership of the Chief Risk Officer.

In addressing insurance risk, and all other risk types, the Syndicate aims to ensure that :

- All significant insurance risks are identified, measured, assessed, managed and monitored in a consistent and effective manner;
- Appropriate and reliable risk management tools are deployed to support risk management, particularly management reporting, decision making and capital assessment;
- All directors, management and staff are accountable for managing risk in line with the roles and responsibilities which are set out in detail in the policy; and
- An effective governance framework is in place to ensure that risk management is embedded in business activity. The governance structure is based on a three lines of defence model.

The risk management methodology employed by the Syndicate reflects the relevant elements identified in the risk register. Risks relating to underwriting (including business planning and pricing risk), reserving and outwards reinsurance are identified, along with relevant emerging risks are identified, measured, monitored and reported. Dependencies between insurance risks as well as between risk categories will be taken into account, in particular as regards capital requirements.

Risks are monitored on a regular and timely basis based on suitable management information. Risks at all relevant levels and over appropriate geographical areas are measured regularly. This information can then be reported to appropriate parties, such as committees and Board of directors of the Managing Agent at a suitable level of aggregation and on a regular basis, typically quarterly. Key risk indicators are used to measure exposure against risk appetite, based on tolerance criteria which are set beforehand by the Board of the Managing Agent.

19. Insurance Risk Management

Insurance risk is defined as the risk of fluctuations in benefits payable to policyholders including underwriting risk (which covers catastrophe and non-cat risk), reserve risk and reinsurance risk. Thus it includes the risk of loss arising from prospective underwriting and the development of prior years and also encompasses risks associated with potential for increased operating expenses.

The elements of insurance risk (underwriting, reserving and outwards reinsurance) are mutually dependent. They are described as follows:

a) Underwriting Risk (Premium Risk)
This is split into two parts - (i) The risk that actual losses and expenses on a future underwriting year are greater than the premium income and (ii) The risk that actual losses and expenses on unearned incepted business, which is associated with future premiums for policies previously written, will differ from the expected losses and expenses.

This is further divided into both catastrophe risk and non-catastrophe elements. Catastrophe risk is the risk that a single event (or series of events) of major magnitude, usually over a short period of time, leads to a significant deviation in actual claims from the total expected claims.

b) Reserve Risk
This is the risk that actual reserves and expenses, associated with policies previously written and earned, will differ from the best estimate expected reserves or prove to be inadequate as per the technical provisions

c) Reinsurance Risk
Reinsurance risk is defined as the inability of the ceding company to obtain reinsurance coverage at the appropriate time for a reasonable cost. The assessment of reinsurance risk relates to risks arising from mismatch, dispute and exhaustion.

Use of judgments and estimates
In preparing these financial statements, the directors of the Managing Agent have made judgments, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims reserves involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims reserves comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by AWMA's in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions.

19. Insurance Risk Management (continued)

Stress Testing and Sensitivity Analysis

Stress testing is an important risk management tool utilised by AWMA as part of its internal risk management and is also a key part of the Own Risk and Solvency Assessment (ORSA) process. Stress testing provides management with information on adverse unexpected outcomes related to a variety of risks and provides an idea of relative importance and impetus for management action as necessary. Moreover, stress testing is a tool that supplements other risk management approaches and measures such as risk profile monitoring and exposure management.

Stress testing covers the following categories:

a) Scenario Tests - assessing the financial impact on the business of possible future scenarios, e.g, a large catastrophic event or multiple events
b) Sensitivity Tests - assessing the implication of possible alternative assumptions, e.g, variations in premium income and in particular their impact on capital requirements
c) Reverse Stress Tests - Assessing the impact and management actions for scenarios where the Syndicate has become insolvent.

Insurance Risk - Scenario tests

- The potential cost of non-modelled natural catastrophe losses
- The cost impact given the Syndicate experiences the same level of catastrophic activity as under bad historic years.
- Errors in Catastrophe PML calculations
- The impact of man-made catastrophe losses. Disaster scenarios are run for event-exposed classes of business such as Property, Aviation and Marine
- The possible exhaustion of reinsurance arrangements
- Reserve understatement. These tests may cover certain correlating classes, e.g, all Casualty classes
- Latent claims / mass tort scenarios
- The effect of unexpected inflation

Insurance Risk - Sensitivity Analysis

- Mis-pricing of risks / incorrect loss ratio assumptions. A 5% deviation in loss ratios from plan may be postulated, either upwards or downwards.
- The effects of the weather event industry loss.
- The tolerance for variations in expenses, including indirect costs, such as overheads.

19. Insurance Risk Management (continued)

The results of sensitivity testing are set out below:

	Profit for the financial year		Members balance at financial year end	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
5% increase in loss ratios				
Gross	**(10,747)**	(10,580)	**(10,747)**	(10,580)
Net	**(6,245)**	(6,443)	**(6,245)**	(6,443)
5% decrease in loss ratios				
Gross	**10,747**	10,580	**10,747**	10,580
Net	**6,245**	6,443	**6,245**	6,443
5% increase in expenses				
Gross	**(3,417)**	(3,416)	**(3,417)**	(3,416)
Net	**(2,024)**	(2,075)	**(2,024)**	(2,075)
5% decrease in expenses				
Gross	**3,417**	3,416	**3,417**	3,416
Net	**2,024**	2,075	**2,024**	2,075

Concentrations of Insurance Risk

Concentrations of risk can occur through a number of sources, including but not limited to:

- Natural catastrophe.
- Man-made catastrophe.
- Territorial exposures.
- Outwards reinsurance counterparties.
- Broker balances or over-reliance on one brokerage firm/source of business.
- Asset holdings by currency, class or counter-party.
- High dependence across risk categories.

The ECM as employed by AWMA captures all elements of concentration risk, most notably the potential for a clash between categories of risk. Diversification effects are also allowed for. Capital model outputs are reported on a quarterly basis to the Board and management committees.

Catastrophe exposure is the key area of concentration risk within the broader insurance risk definition. This exposure is captured via the exposure management process, which enables the calculation of problematic maximum Loss "PMLs" and realistic disaster scenarios "RDSs". As regards natural catastrophes, key region perils for AWMA are identified and underlying risk data utilised to determine loss potential at associated return periods. External catastrophe models are used for pricing and exposure rating calculations. These latter calculations are performed gross and net of outwards reinsurance, by country and by peril within territory. Deterministic stress testing is also used to measure natural catastrophe risk and is the main tool for measuring man-made catastrophe risk. Results are presented on a quarterly basis to the Board and management committees.

19. Insurance Risk Management (continued)

The above criteria has resulted in 11 classes of business (for the 2019 Year of Account) which have concentrations or pools of risks that have common characteristics and are similar in nature.

COB Code	Class of Business
COB10	Property D&F
COB30	Treaty Casualty
COB40	E&O
COB50	D&O
COB60	General Casualty
COB80	Treaty Property - CAT
COB90	Treaty Property - Non CAT
COB100	Marine
COB150	Onshore Construction
COB160	Trade Credit
COB170	Bespoke

Risk mitigation

Transfer:

- Outwards reinsurance: There is cover in place to protect the Company from concentrations of risk (e.g. catastrophe loss), single large events and volatility in results. Strict controls are applied in terms of security ratings of all approved reinsurers.

Acceptance:

- The AWMA strategy is to employ a prudent approach to underwriting and risk selection.
- A business plan is set and adherence to this is monitored.
- Capital modeling processes (economic capital model) are used to ensure that AWMA has sufficient capital resources to support its insurance risks.

Limitation:

- Catastrophe probable maximum losses ('PMLs') are limited by defined capital tolerance levels at the 1 in 250 year event.
- There are geographical/regional limits in place by line of business to limit concentration risk.
- Underwriters have set line size limitations.
- Maximum concentration limits for third parties are in place

Avoidance:

- AWMA writes business only within its risk appetites.

19. Insurance Risk Management (continued)

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into GBP£ at the rates that applied at the end of each underwriting year.

Analysis of claims development - Gross	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
Estimates of gross claims								
End of underwriting year	60,247	57,713	75,640	65,788	143,838	80,735	79,802	
One year later	74,554	85,340	112,356	105,270	222,399	165,562		
Two years later	68,009	85,287	110,812	145,902	228,813			
Three years later	61,069	66,997	143,448	151,417				
Four years later	48,715	87,345	151,959					
Five years later	62,099	84,610						
Six years later	57,184							
Less gross claims paid	43,326	67,215	96,705	99,875	144,883	64,071	11,392	527,467
Gross claims reserve	13,858	17,395	55,254	51,542	83,930	101,491	68,410	391,880
Gross claims reserve for 2012 and prior years								4,653

Analysis of claims development - Net	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
Estimates of net claims								
End of underwriting year	52,381	49,134	63,985	42,360	78,743	52,752	49,973	
One year later	62,800	71,817	95,181	67,323	123,745	100,374		
Two years later	56,428	72,320	91,763	88,724	137,768			
Three years later	51,604	56,318	117,737	92,806				
Four years later	39,647	73,293	127,040					
Five years later	49,921	71,558						
Six years later	46,222							
Less net claims paid	39,961	56,760	80,413	62,768	88,578	43,642	9,240	381,362
Net claims reserve	6,261	14,798	46,627	30,038	49,190	56,732	40,733	244,379
Net claims reserve for 2012 and prior years								2,612

20. Related Parties

Ultimate parent company
The immediate holding company of AWMA is Allied World Europe Holdings, Ltd, which is incorporated in Bermuda. The company's ultimate parent and to which the results of the Company are consolidated into is Fairfax.

The Syndicate has entered into various reinsurance arrangements with affiliates of Fairfax Financial Holdings Limited which is incorporated in Canada. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement.

Group financial statements may be obtained from 95 Wellington Street West, Suite 800, Toronto, Canada.

Allied World Managing Agency ("AWMA")
AWMA is the Managing Agent of the Syndicate. It does not charge a set Managing Agent fee but receives a mark-up on expenses recharged to the Syndicate of 5%. In respect of expense recharge activity, these amounts are included as part of operating expenses. Expenses recharged, including mark up, in 2019 were £16.0k (2018: £16.7k). The creditor balance as at 31 December was £7,535k (2018: £6,331k).

Allied World Syndicate Services (Singapore) PTE Ltd ("AWSS")
The Syndicate underwrites business via the Lloyd's Asia Singapore platform. From 1 April 2014, AWSS has acted as the Lloyd's Asia service company to facilitate the Syndicate's underwriting in Singapore. In respect of expense recharge activity, these amounts are included as part of operating expenses. The fees charged by AWSS to the Syndicate were £2,340k (2018: £2,734k). The creditor balance as at 31 December was 615k (2018: £592k).

Allied World Reinsurance Management Company ("ARM")
ARM acts as a cover-holder for the Syndicate underwriting business in Central and South America including the Caribbean. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement. In respect of expense recharge activity, these amounts are included as part of operating expenses. The fees charged by ARM were £1,015k (2018: £1,292k). The creditor balance as at 31 December was £230k (2018: £296k).

Allied World Syndicate Services (Bermuda), Ltd ("AWSB")
AWSB acts as a cover-holder for the Syndicate underwriting business in Bermuda. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement. In respect of expense recharge activity, these amounts are included as part of operating expenses. The fees charged by AWSB were £316k (2018: £451k). The creditor balance as at 31 December was £1,181k (2018: £1,531k).

Allied World Assurance Company (Europe) dac ("AWE")
The Syndicate is serviced in terms of accommodation, staff and other overhead costs by AWE. The Syndicate is charged its share of these central costs. In respect of the cost sharing activity, these amounts are included as part of operating expenses.

Allied World Assurance Company, Ltd ("AWA")
The Syndicate participates in an intra-group reinsurance contract with AWA. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement. The effect of this contract on the profit and loss account in 2019 was a charge of £11,694k (2018: £3,874k).